

Joseph M. VanLeuven, OSB 824189  
[joevanleuven@dwt.com](mailto:joevanleuven@dwt.com)  
**DAVIS WRIGHT TREMAINE LLP**  
1300 SW Fifth Avenue, Suite 2400  
Portland, OR 97201-5610  
Telephone: (503) 241-2300  
Facsimile: (503) 778-5299

Attorneys for Oregon Potato Company and  
PNW VEGCO, LLC

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF OREGON

In Re:

NORPAC Foods, Inc.,  
Hermiston Foods, LLC, and  
Quincy Foods, LLC,

Debtors.

Case No. 19-62584-pcm11

**LEAD CASE**

(Jointly Administered with Case Nos. 19-33102-pcm11 and 19-33103-pcm11)

**OREGON POTATO COMPANY'S  
RESPONSE TO TEAMSTERS LOCAL  
UNIONS' LIMITED OBJECTION TO  
DEBTORS' NOTICE OF INTENT TO  
SELL REAL OR PERSONAL PROPERTY  
FOR RELATED RELIEF**

Oregon Potato Company ("OPC") and PNW VEG CO., LLC ("VEGCO"), respond to the Teamsters Local Unions'<sup>1</sup> Limited Objections to Debtors' Notice of Intent to Sell Real or Personal Property for Related Relief (Docs. 543 and 544), as follows:

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<sup>1</sup> The Objections purport to be made by Locals 760 and 324, as well as Local 670. Local 760 represents employees at the Quincy plant and is not affected by the proposed sale of other operations to Lineage. Local 324 represents truck drivers at North Pacific Cannery and Packers (f/k/a NORPAC). VEGCO has advised Local 324 that VEGCO has no intention to assume the trucking operation, so there has been no bargaining with that union.

## I. BACKGROUND

OPC entered an asset purchase agreement to purchase Debtors' Quincy Plant, inventory, and certain other assets. OPC assigned its rights under that agreement to VEGCO, which completed the purchase and is operating the plant.

If Lineage closes its Asset Purchase Agreement with Debtors, VEGCO intends to purchase the Brooks facility from Lineage, and operate it, and to negotiate a new CBA with Local 670 in respect to the Brooks plant. OPC is not involved in any contemplated transaction with Lineage and the references in the Union's Objections to negotiations and agreements with "OPC" are incorrect.

VEGCO is currently operating Debtor's Salem repack plant ("Repack") under a month-to-month lease. If the Lineage transaction closes, VEGCO intends to enter a short term lease of Repack from Lineage in order to transition the Repack operations to the Brooks plant. VEGCO has no intention of operating Repack long-term.

Until now, the negotiations between VEGCO and Local 670 have been only in respect to the short-term operation of Repack. Those negotiations did not involve the Seasonal Employees' Pension Trust (OPSEPT) because there are no seasonal employees at Repack. Moreover, VEGCO does not believe the successorship clause in the Local 670 CBA applies to the current leased operations at Repack because the business has not been "sold, transferred or merged" as provided in Article 12 of the CBA. That said, VEGCO has made a good-faith proposal to Local 670 with respect to the short term operation of Repack and is optimistic the parties will reach agreement.

Until now, VEGCO has declined the Unions' request to enter negotiations regarding the Brooks plant because VEGCO did not know if it would be acquiring that plant, its purchase

being contingent on Lineage acquiring the plant, which was in turn subject to overbidding and court approval. However, given the lack of a competing bid to Lineage, VEGCO has now made a proposal to Local 670 regarding the Brooks operations, and is optimistic that the proposal will be accepted. However, that bargaining remains separate from the bargaining over the temporary operations at Repack.

## **II. THE COLLECTIVE BARGAINING AGREEMENTS SHOULD BE REJECTED**

From VEGCO's standpoint, it is not necessary to argue whether the *Agripac* decision was correctly-decided. Even if this Court decided to follow *Agripac*, Debtors have met the requirements of Section 1113 and 1114. Debtors should be authorized to reject the collective bargaining agreements and the related pension agreements because there really is no alternative. No buyer will assume those agreements. Debtors have already ceased operations at the Brooks, Stayton and Repack plants and VEGCO is only operating Repack on a temporary basis until the business can be transitioned. If the pending sale does not close with Lineage because the CBAs have not been rejected, Brooks and Stayton will remain closed and Repack will close too. There is no scenario where the CBAs can be assumed.

DATED this 13<sup>th</sup> day of January, 2020.

**DAVIS WRIGHT TREMAINE LLP**

By s/ Joseph M. VanLeuven

Joseph M. VanLeuven OSB #824189  
1300 SW 5<sup>th</sup> Avenue, Suite 2400  
Portland, Oregon 97201  
Telephone: (503) 241-2300  
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